Supreme Court, U.S.
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No. 01-1041

IN THE

# Supreme Court of the United States

OLEH WERES,

*Petitioner,*

*v.*

NANCY WERES,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE FIRST DISTRICT COURT OF APPEAL FOR THE STATE OF CALIFORNIA

## BRIEF IN OPPOSITION

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## SUMMARY OF ARGUMENT

Respondent, NANCY WERES, hereby requests this Court deny the Petition for a Writ of Certiorari filed by OLEH WERES seeking a review of the Decision of the First District Court of Appeal for the State of California issued on April 23, 2001. Respondent respectfully submits that it has long been the rule that issues of ownership of patents are properly a matter of state law and not subject to Federal preemption. The Fifth Circuit decision relied upon by Petitioner and its apparent conflict with a California Court of Appeal decision deals specifically with the issue of Federal preemption over copyrights and does not apply to the ownership of patents. Respondent also submits that the determination of ownership of patents by state courts does not interfere with national uniformity nor does it burden interstate commerce. Finally, Respondent submits that Petitioner is precluded from attacking the state court's division of these patent interests as community property, as Petitioner conceded at the time of trial that the patents were community property.

## COUNTER-STATEMENT OF THE CASE

The parties were married for approximately 21½ years. Except for the issue of the division of the patent rights developed during the marriage, there were no other contested issues in the divorce proceedings between the parties. The parties reached settlement as to all other assets, including the valuations and division of real estate, a medical practice, and a sole proprietorship. (C.T., pp. 54-49.[1]) During marriage,

1. References to the Clerk's Transcript are denoted as "C.T.," and references to the Reporter's Transcript are denoted as "R.T."

Petitioner terminated his employment and began a sole proprietorship. The focus of this business was to develop technologies that would be patentable and hopefully provide substantial benefits for the parties. Under California community property law, the community is viewed as a partnership in which spouses are equal partners and, as such, each equally contributes his or her industry to the community's prosperity and possesses an equal right to succeed to the property after dissolution. *In Re: Marriage of Brigden*, 80 Cal. App. 3d 380, 389 (1978). Under the California community property system, spouses are seen as contributing equally to the acquisition of an asset, regardless of the actual division of labor in the marriage, and regardless of which spouse actually "earned" the property. *Brigden, supra*, at page 389. The four patents and the claims under one patent application which were divided by the trial court's judgment were the result of work entirely performed during the parties' marriage.[2] Witnesses called by Petitioner testified the marital patents were developed all prior to the date of separation. (R.T., 67:6-11.)

Despite Petitioner's continued insistence that the patents are somehow dependent on his post-separation efforts, evidence to the contrary was introduced at trial and the trial court found to the contrary.[3] It was admitted in Petitioner's

2. Petitioner's Trial Brief stated: "There is no dispute, the four patents in question are based on efforts during the marriage." (C.T., 92.)

3. Petitioner testified that even if he stopped working on the technology related to the patents, some of the patents would probably have value. (R.T. 281:5-10.) He further testified that none of the work he had done after separation in this field is actually on the existing marital patents. (R.T. 283:5-19.) Petitioner further testified (Cont'd)

Opening Brief before the California Court of Appeal that patents resulting from post-separation efforts will not embody any of the community patents, nor will it enlarge their legal status.[4]

Despite Petitioner's assertion that the trial court's orders will create some burden in identifying benefits received for the marital patents, evidence established that even if Respondent was not a co-owner, an allocation would still have to be done as between the marital patents and any post-separation patents. Petitioner testified that if the technology protected by the marital patents is ultimately bundled with other patents (either perfected by Petitioner or others), there will have to be some kind of allocation done as to the benefits received because existing agreements with third parties govern the sharing of benefits from the marital patents only. (R.T. 526:1-527:24.)

At trial the Petitioner conceded that the patents at issue were, in fact, community property. (R.T. 510:22.) The Appellant's Trial Brief at page 3 stated:

> It is submitted that at the current time the parties have agreed that the patents as they existed on February 10, 1996 [the date of separation] are community property. (C.T., 89.)

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(Cont'd)
the work done after separation in the area of this technology, including the 3,050 hours contained in Appellant's schedules, does not change any of the rights granted under the marital patents. (R.T. 286:27-287:10.)

4. See Appellant's Opening Brief, fn. 7, p. 29.

The Brief went on to state:

> The fact that patents are community assets which may be divided as community property is well settled law and not disputed herein by Husband. . . . (C.T., 91.)

The trial court found that the approach to valuation urged by Petitioner (namely, reimbursing the community for some of the efforts and expenditures involved in developing the patents) did not reflect the true fair market value of the community property patent rights.[5] The court determined that it would be equitable to equally divide the parties' interest in the patents developed during the marriage, with the court reserving jurisdiction over the allocation and distribution of any benefits that might be received as a result of those patent rights.[6] The Further Judgment on Reserved Issues awarded each party a one-half interest as tenants in common to any and all rights, title and interest that either party is entitled to with respect to the various patents and the patent application. The court ordered each party to sign any documents necessary or convenient to register the ownership interests with the United States Patent Office, and required each party to keep the other informed concerning offers to purchase, license or pay consideration related to the interests in the marital patents. The Judgment went on to restrain the parties from disposing of rights that would affect the other party without the written consent of the other party or an order of court.

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5. The trial court's Statement of Decision is included with the Petition as Document 3, commencing at p. 48.

6. See Further Judgment on Reserved Issues. The Further Judgment on Reserved Issues is also included with the Petition as Document 4, commencing at p. 53.

The California Court of Appeal, First Appellate District, affirmed the trial court. The Court of Appeal first noted that patents obtained during the life of the marital community are community property, relying on *Lorraine v. Lorraine*, 8 Cal. App. 2d 687, 692 (1935). The Court of Appeal rejected Petitioner's argument that the trial court's judgment somehow provided Respondent with an interest in the fruits of the Petitioner's post-separation efforts. The Court of Appeal noted that the trial court had awarded wife only a one-half interest in the marital patents, not in any separate property interest of the husband.[7] The Court of Appeal also rejected Petitioner's contention that the division-in-kind of the patent interests would lead to some sort of deadlock because of wife's equal authority over the patent interests. The Court of Appeal found no evidence of impairment of value by this division and little but speculation to support Petitioner's claim that Respondent's co-ownership of the patents would frustrate their commercial development.[8] Finally, the Court of Appeal noted that while the Petitioner briefly argued on appeal that he should be given full authority to manage the patents, Petitioner had nowhere in the record made any explicit request that the trial court should award Respondent an undivided one-half interest in the patents while providing Petitioner with full managerial control. The Court of Appeal concluded that Petitioner's request for exclusive management of the patents coupled with a request that Respondent's name not be added to the title was a derogation of Respondent's

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7. See Decision of the California Court of Appeal attached to Petition for Writ as Document 6, commencing at p. 67, at p. 74.

8. See Appendix to Petition, pp. 79 and 80.

equal present and existing ownership interest in the marital patents, which by implication would result in an unequal division of the parties' property.[9]

## REASONS FOR DENYING THE WRIT

### I. THE DECISION BELOW DOES NOT RAISE THE QUESTION PRESENTED BY THE PETITION

#### A. The Issue in this Action Is the State Court's Determination of Ownership of Certain Patents, as Between a Husband and Wife. No Issue Concerning Federal Preemption Over Copyrights Is Presented.

The question presented in the Petition seems to be whether or not the court should resolve an apparent conflict about Federal preemption over copyrights. The assets at issue in this case are patents, not copyrights. As a result, the issue raised by the ruling in *Rodrigue v. Rodrigue*, 218 F.3d 432 (5th Cir. 2000), and its perceived conflict with a California Court of Appeal decision in *In Re: Marriage of Worth*, 195 Cal. App. 3d 768 (1987), both of which deal only with copyrights, is not present in this case.

#### B. The Law Regarding Federal Preemption Concerning Copyrights Is Specific to Copyrights and Not Applicable to the Ownership of Patents

The decision upon which the Petitioner so heavily relies, *Rodrigue v. Rodrigue*, *supra*, deals with the question of whether or not Federal preemption exists concerning the

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9. See Decision of the California Court of Appeal, Appendix to Petition, p. 79.

ownership and control of a copyright developed by a spouse during marriage.

The court in *Rodrigue* expressly relied on the statutory provisions relating to the exclusivity of copyrights found at 17 U.S.C. §§ 301(a) and 301(b). The statutory provisions for copyrights specify that a copyright vests initially in the author and specifies the scope of Federal preemption. The Copyright Act goes on to provide that the preemptive effect acknowledges that state law continues to operate unless there is a direct and irreconcilable clash between a state law right and an *exclusive* right under the Copyright Act with which the state law right is equivalent. Under that specific statutory framework, the *Rodrigue* court determined that Federal preemption applied only to a portion of the bundle of rights in a copyright and that there was no Federal preemption concerning the division of the fruits or benefits resulting from the ownership of a copyright. As discussed below, this rule is not applicable to the ownership of patents.

## II. THE QUESTION OF OWNERSHIP OF A PATENT IS PROPERLY A QUESTION OF STATE LAW AND NOT THE SUBJECT OF FEDERAL PREEMPTION

The law of patents recognizes the concept of joint ownership. 35 U.S.C. § 262. The statutory framework recognizes that patents have the attributes of personal property and may be assigned. 35 U.S.C. § 261. A fundamental difference between copyright law and patent law is that, with respect to patents, the issue of inventorship and ownership are separate issues. *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248, 26 USPQ2d 1572 (Fed. Cir 1993). Inventorship is a question of who actually invented the subject matter claimed in a patent, whereas

ownership is a question of who owns legal title to the subject matter claimed in the patent. Who ultimately possesses ownership rights in that subject matter has no bearing whatsoever on the question of who actually invented the subject matter. *Beech Aircraft Corp.*, *supra*, at 1248.

While there is no question that a person's status as an inventor is uniquely a question of Federal law, *University of Colorado Foundation, Inc. v. American Cyanimid Co.*, 196 F.3d 1366, 52 USPQ2d 1801 (Fed. Cir. 1999), *cert. denied*, 529 U.S. 1130 (2000). Issues concerning ownership of patents which are not based on a claim of inventorship have always been a question of state law. In the case of *Jim Arnold Corp. v. Hydrotech Systems, Inc.*, 109 F.2d 1567, 1572, 42 USPQ2d 1119, 1123 (1997), the United States Court of Appeals Federal Circuit held:

> It may seem strange at first blush that the question of whether a patent is valid and infringed ordinarily is one for federal courts, while the question of who owns the patent rights and on what terms typically is a question exclusively for state courts. Yet that has long been the law. It is well settled that if the patentee claims a cause of action based on rights created by a contract, or on the common law of torts, the case is not one "arising under" the patent laws.

The court in *Jim Arnold Corp. v. Hydrotech Systems, Inc.*, 42 USPQ2d 1119, 1123 (1997), relied on the following decisions: *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473 (1912) (state court has jurisdiction for suit for specific performance of contract to assign patent). *Geneva Furniture Mfg. Co. v. S. Karpen Bros.*, 238 U.S. 254 (1915)

(upholding federal jurisdiction over part of a bill charging contributory infringement; rest of bill not sustainable because based on contract). *Becher v. Contoure Labs., Inc.*, 279 U.S. 388 (1929) (explaining why state court has jurisdiction over bill to compel assignment of a patent tortuously secured by patentee).

This long-standing rule that questions of ownership are properly state court questions has been followed in a number of cases. In *Moss v. Moss Tubes*, 44 USPQ2d 1309, 1311 (N.D.N.Y. 1997), the court issued an order staying a patent infringement suit until a state divorce court could determine the disposition of the marital patent, recognizing that the state court's determination of who, as between husband and wife, would own the marital patent would impact whether or not the plaintiff would have standing to continue the infringement proceeding. The court noted:

> Furthermore, although a cause of action for patent infringement is governed exclusively by federal law, *see United States Const., art. I., Section 8, cl. 8*; *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 [140 USPQ 524] (1964), the issue of ownership of the patents is governed by state law. *Goldwater [sic] v. Smith Corona Corp.*, 817 F. Supp. 263, 275 (D. Conn. 1993), *aff'd*, 26 F.3d 137 (Fed. Cir. 1994). *Id.* at 1311.

The issue presented in *Goldwasser v. Smith Corona Corp.*, 817 F. Supp. 263, 275 (D. Conn. 1993), *aff'd*, 26 F.3d 137 (Fed. Cir. 1994), was who owned a patent as between an employer and an employee by virtue of an employee confidential information and invention agreement. The court ruled that the determination of that issue of ownership is a question of state law.

In *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 45 USPQ2d 1545 (Fed. Cir. 1998), the court noted that questions of ownership are distinct from questions of inventorship. The court then held that questions of ownership arising out of contracts are controlled by state law. *Id.*, at 1466. Even in the dissent, the court noted

> The jurisprudence governing property interests is generally a matter of state law. Even when the property is the creation of federal statute, private rights are usually defined by state laws of property. This has long been recognized with respect to patent ownership and transfers. *Id.*, at 1471.

The issue of ownership presented by this case is not an issue of ownership based upon the determination of inventorship, which would be a question of federal law. To the contrary, the question of ownership in this case is based upon Respondent's status as a spouse at the time the patents were created. This issue of ownership is properly a question of state law and is not preempted by federal law.

## III. THE PETITIONER CONCEDED AT THE TIME OF TRIAL THAT THE PATENTS INVOLVED IN THIS ACTION WERE COMMUNITY PROPERTY

The Petitioner argues that the state court should not be permitted to determine whether the patents are community property. However, as noted by the Court of Appeal, Petitioner, at the time of trial, conceded the patents were community property.[10] In this case, the trial court only made

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10. See Appendix to the Petition, Document 6, Decision of the Court of Appeal, p. 76.

a determination of how to divide that which the parties had agreed was community property. Petitioner's concession that these patents were community property is disclosed in the record on appeal. In discussing the nature of the patent rights, Petitioner's counsel admitted they were community property. Petitioner's counsel stated:

> Ms. Young: We have admitted they're community property. (R.T., 510/22.)

This admission was also part of Petitioner's Trial Brief. The Trial Brief stated at page 3:

> It is submitted that at the current time, the parties have agreed that the patents as they existed on February, 10 1996 [the date of separation] are community property. (C.T., 89.)

The Trial Brief went on to state:

> The fact that the patents are community assets which may be divided as community property is well settled law and not disputed herein by Husband. . . . (C.T., 91.)

The issue of whether or not the patents were community property pursuant to the laws of the State of California was never questioned at trial. The only issue raised at trial was whether the patents, which the parties admitted were community property, should be divided in-kind or whether they should be awarded to one spouse with offsetting property to the other.

## IV. THE DETERMINATION OF OWNERSHIP OF A PATENT BY A STATE COURT DOES NOT CONFLICT WITH FEDERAL STATUTES

As discussed above, the question of ownership of the rights embodied in the patents is properly a subject for determination by state courts and is not preempted by federal law. Federal preemption relating to patents is limited to the issues of inventorship, validity and patent infringement. *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 [140 USPQ 524] (1964). Federal courts have long recognized that questions of ownership are separate from questions of inventorship. *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248, 26 USPQ2d 1572 (Fed. Cir 1993). Courts have long held that questions of ownership that do not arise directly from inventorship are properly questions of state law. *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 45 USPQ2d 1545 (Fed. Cir. 1998); *Jim Arnold Corp. v. Hydrotech Systems, Inc.*, 109 F.2d 1567, 1572, 42 USPQ2d 1119, 1123 (1997); *Goldwasser v. Smith Corona Corp.*, 817 F. Supp. 263, 275 (D. Conn. 1993), *aff'd*, 26 F.3d 137 (Fed. Cir. 1994); and *Moss v. Moss Tubes*, 44 USPQ2d 1309, 1311 (N.D.N.Y. 1997).

## V. THE DETERMINATION OF OWNERSHIP OF A PATENT DOES NOT INTERFERE WITH NATIONAL UNIFORMITY GOVERNING THE OWNERSHIP OF PATENTS NOR DOES IT BURDEN INTERSTATE COMMERCE

Issues of national uniformity concerning the ownership of patents and any burden on interstate commerce are resolved by 35 U.S.C. Section 261, which provides:

> An assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

As a result, purchasers or mortgagors for value may rely on this uniform system for the recordation of ownership interests with the patent and trademark office and, for that reason, no burden on interstate commerce exists.

## VI. THE DIVISION OF THE PARTIES' INTERESTS IN THESE PATENTS DOES NOT AFFECT THE RIGHTS OF THIRD PARTIES

The decision in the court below only divided the parties' interests in the patents. The trial court's judgment, which is included with the Petition as Document 4, commencing at page 53, only divided those interests that the parties to the proceeding were entitled to. By way of example, the judgment provided:

> 1. Petitioner is hereby awarded an undivided one-half (½) interest as tenant-in-common in any and all rights, title and interest that either party is entitled to with respect to the following patents: . . .

The Court's Statement of Decision which is included with the Petition as Document 3, commencing at line 48, specifically notes that the rights of the parties are ". . . subject to the obligation to pay a portion of certain revenues to

Mr. Hoffman that are obtained from commercialization of the technology reflected in the patents." With respect to another patent and the patent application, the Statement of Decision reflects that the parties' interest is only a fractional interest. Whatever rights and obligations the parties have to others and whatever rights third parties may have in the patents or any benefits arising therefrom are unaffected by the trial court's decision.

## CONCLUSION

For all the foregoing reasons, Respondent respectfully requests that this Honorable Court deny the Petition.

Respectfully submitted,

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